Office-Supreme Court, U.S.
FILED
JUL 6 1981
ALEXANDER L. STEVAS
CLERK

No. 80-1959

IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

NORDEN RESTAURANT CORPORATION,

Petitioner,

-v-

SONS OF THE REVOLUTION IN THE STATE OF NEW YORK, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK

REPLY MEMORANDUM FOR THE NORDEN RESTAURANT CORPORATION

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The Norden Restaurant Corporation's Petition presents an issue of substantial importance with respect to the Constitutional protection of individual property

rights:

> "Whether the Order of the Court of Appeals of the State of New York deprived Petitioner of its valuable property right in the service mark 'FRAUNCES TAVERN For Restaurant Purposes' without due process of law by departing from applicable Federal and State statutory and common law requiring a plenary trial on the merits to resolve material issues of fact developed by the conflicting affidavits and extrinsic evidence which would preclude summary judgment as a matter of law."

Respondent's opposition denies the constitutional dimension and asserts that the decision of the Court of Appeals of the State of New York was based upon legal interpretation of a contract between the parties founded upon consistently applied principles of common law and to a limited extent Federal Trademark Law. Respondent further argues that no property right of Petitioner has been invaded. This Reply Memorandum is addressed primarily to those contentions.

1. Respondent's "Statement of the Case" prejudicially misconstrues the decision of the Court of Appeals of the State of New York together with the facts as contained in the record before that Court. Respondent further makes erroneous and prejudicial statements therein which are totally unsupported by the record in the Court of Appeals.

The sole question before the Court of Appeals of the State of New York was whether or not Special Term had properly denied Respondent's motion for summary judgment on its third counterclaim seeking injunctive relief against Petitioner. (Pet. App. 2A) The erroneous determination by that Court that Respondent owned the service mark "FRAUNCES TAVERN" is contained in the Court of Appeals decision by way of obiter dictum. This determination of service mark ownership was un-

supported by the record; beyond the scope of the jurisdiction of the Court of Appeals as evidenced by its constitutional mandate (Pet. App. 7, 35); as well as in direct contradiction to the Federal statute, New York State Statute, and accepted common law on the issue of trademark ownership.

Petitioner has never disputed that the name of the building owned by Respondent is "FRAUNCES TAVERN". The record, however never indicates when the name became affixed to the building. The numerous historical periodicals referred to in Respondent's statement never supply this information. These periodicals refer to the building as "Fraunces Tavern" but never state when the building became known as such. These periodicals are further conspicuously devoid of the mention of any name under which the restaurant concession

was known prior to the involvement of Petitioner and its predecessor. At best the restaurant concession was referred to as the restaurant at "Fraunces Tavern". These periodicals also refer to the historical concession owned and operated by Samuel Fraunces as either "Queens Head Tavern" or "Queen Charlotte Tavern". (Pet. 8-15) and not as "FRAUNCES TAVERN"!

Petitioner's operation of the restaurant in the Fraunces Tavern complex has been under the name of "FRAUNCES TAVERN" and "FRAUNCES TAVERN RESTAURANT" in open and notorious interchangeable fashion since 1937 without objection by the Respondent until Petitioner commenced litigation in New York Supreme Court.(R226-231). The lease agreement between the parties does not expressly state that Respondent is the owner of the service mark/trademark "FRAUNCES TAVERN For Restau-

rant Purposes", nor does it expressly state that the agreement is a license agreement, or that a license was not granted! Accordingly, Respondent's statement that the lease grants Petitioner a license as contained at page 4 of its Brief is erroneous and misleading.

Lease section 6.02 (R-76) is not germain to the issues before this Court and only applies to Respondent's right to name the building. This lease provision does not extend beyond the building to the restaurant concession therein.

While it is true the Petitioner took over the operation of the restaurant as a going concern, there is no evidence in the record which identifies the name by which the restaurant was known, other than as the restaurant at Fraunces Tavern. The only evidence contained in the record of the restaurant being known as "Fraunces

Tavern" is after the involvement of Petitioner's predecessor. This evidence refers to the use of the name "Fraunces Tavern" as a service mark for the restaurant by both the Petitioner and its predecessor (R227-231). Respondent's statement that Petitioner's predecessor took over the operation of the restaurant previously known as "Fraunces Tavern" is totally unsupported by the record or any references contained therein. None of the restaurant and travel guides which are contained in the record refer to the name under which the restaurant concession at Fraunces Tavern was either called or recognized by the general public.

Petitioner's application for registration of the Federal service mark, trademark "FRAUNCES TAVERN For Restaurant Purposes" was made prior to execution of the lease agreement between the parties.

2. Respondent states that the partial summary determination made by the Court of Appeals was based upon undisputed sufficient facts shown by the record. Respondent's argument is misleading and unsupported by the record. There is no dispute that the Respondent owns the building, or was Respondent responsible for its restoration. However, the record contains no evidence that the Respondent ever operated a restaurant within the building it owned! While there is some evidence that Respondent may have exercised some control over prior restaurant concessionaires, there are no lease provisions or affidavits contained in the record which demonstrate such control.

3. Petitioner's interpretation of the lease agreement as set forth on pages 18 through 22 of the petition herein is both consistent with common rules of grammar,

Canons of Contract Construction, and logic. This is evidenced by the fact that the specific language of the lease agreement never once states that respondent either owns or is entitled to ownership of any name or service mark used in conjunction with the restaurant facility operated within its building. This fact is critical because the lease specifically provides that the agreement between the parties is complete in its written form containing express provisions relevant to the rights and liabilities of the parties within the agreement (R85). Accordingly if the lease agreement does not specifically provide that it is a license agreement or grant a license, or that respondent is the licensor and owner of the service mark in issue, then nothing can be inferred from the agreement to demonstrate that the respondent is the licensor

or owner of the mark in issue.

4. The Court of Appeals award of summary judgment in the proceedings below is inappropriate and inconsistent with both Federal statutory law and State common law on the issue of trademark ownership. The cases relied upon by respondent in its Brief in Opposition relevant to the appropriateness of summary judgment in trademark disputes where contracts are involved are inapt and inapplicable. The case of Wells Cargo, Inc. v. Wells Cargo, Inc., 606 F.2d 961 (CCPA 1959) has no relevance here. Wells Cargo involved an agreement wherein the applicant's predecessor had agreed with the opposer to withdraw its application for registration of a Federal service mark with prejudice. Thereafter, the applicant, despite this agreement, sought to register the mark. The Court held that, as a result of the

prior agreement of applicant's predecessor the applicant was barred from registering the mark. Of additional interest here, the opposer already possessed Federal registration of the mark.

In Danskin, Inc. v. Dan River,Inc., 498 F.2d 1386 (CCPA 1974), the issue centered around a 1954 agreement which specifically provided that in order to avoid confusion with respect to a conflicting service mark, the opposer specifically agreed not to oppose an application on the part of the owner of the conflicting mark to cancel the opposer's mark. Despite this agreement, the opposer sought to oppose the application for cancellation of its mark. The Court held the agreement binding, and summary judgment appropriate.

In Beer Nuts, Inc. v. King Nut Co., 477 F. 2d 326 (6th Cir. 1973) cert. den.

414 US 858 (1973) plaintiff was the possessor of a valid duly registered trademark, and commenced a trademark infringement suit against defendant in a prior litigation. At the conclusion of that case a stipulation was entered into wherein defendant specifically recognized that plaintiff was the owner of the mark, and that defendant would refrain from using the mark. A subsequent action was commenced by plaintiff by reason of defendant's violation of the stipulation in the prior action.

In Spencer v. VDO Instruments, Ltd., 232 F. Supp. 735, 739 (ED Mich. 1964) aff'd. 352 F.2d 784 (6th Cir. 1965) an exclusive sales agreement between the parties was deemed not to authorize the exclusive seller from registering a service mark which had already been registered and used by the foreign manufacturer.

In each of these cases the agreements in question specifically contained acknowledgement that one of the contracting parties was the owner of the mark. In addition, each case contained a duly registered Federal service mark or trademark. The case herein contains no acknowledgement on the part of petitioner that respondent owns the mark, nor is there any evidence that respondent owns a duly registered Federal service mark or trademark of the name "FRAUNCES TAVERN" or "FRAUNCES TAVERN RESTAURANT" or "FRAUNCES TAVERN For Restaurant Purposes". Accordingly, the foregoing cases are all inapplicable.

Respondent's argument that State law controls the issue of trademark ownership in actions based upon common law, does not support the decision of the New York Court of Appeals. New York State law, on

the issue of trademark ownership, is totally consistent with Federal law, and accordingly, the Court of Appeals decision not only violated Federal statutory law, but also New York State common law on trademark ownership. The Court is respectfully referred to the Petition herein which discusses the similarity between New York State law and Federal law on trademark ownership. (Pet. 46-50)

Respondent's argument relevant to licensee estoppel is equally misplaced. The authority relied upon by respondent on this issue involves specific license agreements and duly registered marks. The cases cited and the instant case are obviously quite dissimilar. The agreement between the parties herein contains no words, terms or provisions which expressly state that it is a license agreement or that respondent owns a registered mark.

In order to construe this agreement as a license agreement, an inference must be made by the Court out of the express provisions contained within the agreement. Such a determination would be the resolution of a question of fact which the Court of Appeals, by its constitutional mandate, has no jurisdiction to make. See New York State Constitution, Art. I, §2 (Pet. p.7) In addition, to draw such an inference would be in direct conflict with the express terms of the lease agreement which states that the lease agreement, as written, is complete (R-85). If there is no license agreement, the Court is precluded from determining that the agreement is a license agreement, and licensee estoppel cannot be applied. Furthermore, it is undisputed that respondent is the owner of no registered service mark or trademark. It is therefore axiomatic that one

cannot license a service mark that one does not possess to one who does not recognize the license right in the purported licensor by means of a writing that is silent on the issue.

5. Respondent's arguments contained in Point II of its Brief in Opposition are totally inapt and inapplicable. The constitutionality of New York State's summary judgment statute is not in issue in the present proceeding. Petitioner has never challenged the constitutionality of the statute. What is in issue here is the New York State Court of Appeals misapplication of that statute in conjunction with the disputed facts as contained in the record before it. It is for this reason that this Court should disregard any argument set forth by respondent relevant to the constitutionality of the New York State statute.

Respondent's argument with respect to inaptness and inapplicability of authority,relied upon by petitioner in its main brief on page 50, is totally misleading and is in direct conflict with the law as set forth in the cases cited by petitioner.

Concerning respondent's comments with respect to Board of Regents v. Ross, 408 US 564, 33 L.Ed. 2d 548, 96 S.Ct. 2701 (1972), and Perry v. Sinderman, 408 US 593, 33 L.Ed. 2d 570, 92 S.Ct. 2694 (1972) -- respondent conveniently ignores this Court's statement in Ross at 408 US 564, 577, 33 L. Ed. 2d 548, 560, wherein it stated:

> "Property interests, of course, are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understanding that stem from an independent source such as State Law."

Petitioner's property rights in the

service mark "FRAUNCES TAVERN For Restaurant Purposes" is not only established by Federal statutory law, but also by the New York State common law. The ownership of a trademark or service mark cannot be acquired by a party absent that party's usage of the mark in conjunction with the service. The record herein clearly demonstrates that petitioner and petitioner's predecessor have used the service mark in issue continually since 1937 in conjunction with their operation of a restaurant and that respondent has not! The prerequisite of trademark, service mark ownership has clearly been met by the petitioner. Petitioner's assertion in the proceedings below that it is the owner of the service mark "FRAUNCES TAVERN For Restaurant Purposes" is not a whim, caprice, or fanciful desire, but rather it is an established property right developed

under both Federal and State law on this issue.

The decision of the New York State Court of Appeals is clearly,at the very least, a "palpable invasion" of petitioner's property right in its service mark "FRAUNCES TAVERN For Restaurant Purposes". Petitioner has established its ownership of the service mark in accordance with both Federal statutory law and the New York State common law. The decision of the Court of Appeals has, without due process of law, by its incorrect appliction of the New York State Summary Judgement Statute, deprived petitioner of its property right and the service mark, "FRAUNCES TAVERN For Restaurant Purposes". Certiorari should be granted by this Court so that this grave injustice can be corrected.

Respectfully submitted,

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Dated: June 30, 1981